THE SPROUT FUND
Pittsburgh, Pennsylvania

Financial Statements
December 31, 2015 and 2014

and Independent Auditors' Report Thereon

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Sprout Fund
Pittsburgh, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of The Sprout Fund (Organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Sprout Fund as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2014 financial statements of the Organization were audited by other auditors whose report dated February 5, 2016 expressed an unmodified opinion on those statements.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
November 14, 2016

THE SPROUT FUND

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Cash and cash equivalents	$ 1,441,594	$ 1,725,163
Accounts and pledges receivable, net	686,059	1,881,283
Other assets	9,835	-
Property and equipment, net	-	1,822
Total Assets	$ 2,137,488	$ 3,608,268
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants payable	$ 403,028	$ 146,512
Accounts payable	84,786	86,994
Accrued expenses	15,234	11,514
Total Liabilities	503,048	245,020
NET ASSETS		
Unrestricted	633,247	467,078
Temporarily Restricted	1,001,193	2,896,170
Total Net Assets	1,634,440	3,363,248
Total Liabilities and Net Assets	$ 2,137,488	$ 3,608,268

See independent auditors' report and notes to the financal statements.

THE SPROUT FUND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	$ 60,991	$ 650,000	$ 710,991
Consulting fees	262,789	-	262,789
Other income	1,115	-	1,115
Interest income	2,481	-	2,481
	327,376	650,000	977,376
Net assets released from restrictions	2,544,977	(2,544,977)	-
Total Support and Revenue	2,872,353	(1,894,977)	977,376
EXPENSES			
Program services	2,444,095	-	2,444,095
Fundraising	143,631	-	143,631
Administration	118,458	-	118,458
	2,706,184	-	2,706,184
Increase (Decrease) in Net Assets	166,169	(1,894,977)	(1,728,808)
NET ASSETS			
Beginning of year	467,078	2,896,170	3,363,248
End of year	$ 633,247	$ 1,001,193	$ 1,634,440

See independent auditors' report and notes to the financal statements.

THE SPROUT FUND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Government grant revenue	$ 7,848	-	$ 7,848
Contributions	85,903	$ 3,676,000	3,761,903
Consulting fees	5,000		5,000
Other income	2,329	-	2,329
Interest income	2,091	-	2,091
	103,171	3,676,000	3,779,171
Net assets released from restrictions	2,140,849	(2,140,849)	-
Total Support and Revenue	2,244,020	1,535,151	3,779,171
EXPENSES			
Program services	1,953,134	-	1,953,134
Fundraising	122,480	-	122,480
Administration	103,707	-	103,707
Total Expenses	2,179,321	-	2,179,321
Increase in Net Assets	64,699	1,535,151	1,599,850
NET ASSETS			
Beginning of year	402,379	1,361,019	1,763,398
End of year	$ 467,078	$ 2,896,170	$ 3,363,248

See independent auditors' report and notes to the financal statements.

THE SPROUT FUND

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	Administration and Fundraising	Total
EXPENSES			
Grants, awards and commissions	$ 1,110,355	-	$ 1,110,355
Other programmatic costs	572,113	$ 12,072	584,185
Salaries	488,051	163,314	651,365
Employee benefits	54,151	14,349	68,500
Employee payroll taxes	45,738	14,562	60,300
Contract services	7,985	16,715	24,700
Facilities and equipment	25,161	6,234	31,395
Rent	26,340	7,200	33,540
Operations	47,252	26,987	74,239
Travel and meetings	66,949	656	67,605
Total Expenses	$ 2,444,095	$ 262,089	$ 2,706,184

See independent auditors' report and notes to the financal statements.

THE SPROUT FUND

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services	Administration and Fundraising	Total
EXPENSES			
Grants, awards and commissions	$ 611,940	-	$ 611,940
Other programmatic costs	703,077	$ 4,197	707,274
Salaries	385,633	128,858	514,491
Employee benefits	48,413	10,350	58,763
Employee payroll taxes	31,991	10,483	42,474
Contract services	19,579	27,558	47,137
Facilities and equipment	32,785	6,900	39,685
Rent	24,903	5,242	30,145
Operations	36,380	32,078	68,458
Travel and meetings	58,433	521	58,954
Total Expenses	$ 1,953,134	$ 226,187	$ 2,179,321

See independent auditors' report and notes to the financal statements.

THE SPROUT FUND

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	$(1,728,808)	$ 1,599,850
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation	1,822	4,918
Changes in assets and liabilities:		
Pledges receivable	1,195,224	(1,764,761)
Other assets	(9,835)	-
Accounts payable and accrued expenses	258,028	(65,130)
Net Cash Used in Operating Activities	(283,569)	(225,123)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(566)
Net Decrease in Cash and Cash Equivalents	(283,569)	(225,689)
CASH AND CASH EQUIVALENTS		
Beginning of Year	1,725,163	1,950,852
End of Year	$ 1,441,594	$ 1,725,163

See independent auditor's report and notes to the financal statements.

NOTE 1 - ORGANIZATION

The Sprout Fund (the Organization) is a private, not-for-profit organization that supports innovative ideas and grassroots community projects that are catalyzing change in Pittsburgh. The Organization is designed to facilitate community-led solutions to regional challenges and supports efforts to create a thriving, progressive and culturally diverse region. With strong working relationships to many community organizations and regional stakeholders, the Organization is one of southwestern Pennsylvania's leading agencies on issues related to civic engagement, talent attraction and retention, public art and catalytic small-scale funding.

The Organization's mission is to work to positively affect the civic and philanthropic community by providing an entry point for young, creative and civically engaged people to become involved and active in their communities and by supporting projects and initiatives that improve the image of the greater Pittsburgh region.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with original maturities of less than three months as cash equivalents. Substantially all of the Organization's cash is held at one financial institution. At times, the Organization's cash and cash equivalents might be in excess of the Federal Deposit Insurance Corporation insurance limits. The Organization does not believe that it is exposed to any significant credit risk on its cash and cash equivalents.

Revenue and Support - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

Three donors accounted for approximately 61% of the Organization's revenue and support in 2015. Two donors accounted for approximately 70% of the Organization's revenue and support in 2014.

Consulting fees represent contractual fees paid to the Organization from other not-for-profit organizations, for assistance with program development and implementation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give - Unconditional promises to give (pledges receivable) are recognized as revenues or gains in the period the promise is received as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Pledges receivable are reflected in Note 3. No allowance was considered to be necessary.

Two entities accounted for approximately 83% of the Organization's pledges receivable at December 31, 2015 and three entities accounted for approximately 93% of the Organization's pledges receivable at December 31, 2014.

Property and Equipment - Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets. Improvements are depreciated over the lesser of the economic useful life or the remaining life of the Organization's lease. The Organization's policy is to capitalize property and equipment purchases greater than $2,500 with a useful life greater than one year.

Income Taxes - The Organization is a tax-exempt organization under Internal Revenue Service Code Section 501(c)(3) and is not a private foundation as provided by the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken a position that is uncertain. An uncertain position is defined as one in which there is a 50% or greater likelihood that the position will not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the Organization and has concluded that, as of December 31, 2015, there are no uncertain tax positions taken or expected to be taken. The Organization has recognized no interest or penalties related to uncertain tax positions. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for years prior to 2012.

Recent Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance related to revenue recognition. This new standard will replace all current accounting principles generally accepted in the United States of America guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition guidance provides a unified model to determine when and how revenue is recognized. The core principle is that an organization should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. In April 2015, the FASB issued a deferral on the implementation date, and this guidance will be effective for the Organization beginning January 1, 2019 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Organization is currently evaluating the impact of adopting this new accounting guidance on its financial statements, if any.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued Accounting Standards Update (ASU) 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This new ASU is intended to simplify and improve not-for-profit financial reporting.

Specifically, the new guidance:

- Revises the net asset classification scheme to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three classes, while maintaining the requirement to report total net assets and changes in the classes of and total net assets.

- Continues to allow for a choice between the direct and indirect method of reporting operating cash flows; however, presentation of the indirect reconciliation is no longer required if using the direct method.

- Enhances disclosures for:
  - Self-imposed limits on the use of resources without donor-imposed restrictions
  - Composition of net assets with donor restrictions, and how the restrictions affect the use of resources
  - Qualitative disclosures on how a not-for-profit manages its available liquid resources, to meet cash needs for general expenditures within one year of the balance sheet date
  - Quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date
  - Methods used to allocate costs among program and support functions

- Requires the presentation of expenses by nature as well as function, including an analysis of expenses showing the relationship between functional and natural classification for all expenses.

- Updates the accounting and disclosure requirements for underwater endowment funds, which include required disclosure of (1) policy concerning appropriation from underwater endowment funds, (2) the aggregate fair value of such funds, (3) the aggregate original gift amount (or level required by donor or law) to be maintained, and (4) the aggregate amount by which funds are underwater, which are to be classified as part of net assets with donor restrictions.

- Requires net presentation of investment expenses against investment return on the statement of activities and eliminates the requirement to disclose investment expenses that have been netted.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Requires the use of, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expiration of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassification of amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restrictions over the estimated useful life of the acquired asset.)

ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early application permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02 Leases (Topic 842). The amendments in ASU 2016-02 create Topic 842 Leases and supersede the leases requirements in Topic 840 Leases. Topic 842 specifies the accounting for leases. ASU 2016-02 affects every organization that leases assets (Lessee). The lessee will be required to recognize on its balance sheet a right-of-use asset and a lease liability for all leases in which the lease term exceeds one year. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing and uncertainty of cash flows arising from a lease. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. Early application is permitted for all organizations. The Organization is currently assessing the impact that this ASU will have on its financial statements.

Subsequent Events - Management has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 14, 2016, the day the financial statements were approved and authorized for issuance.

NOTE 3 - ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable consist of the following at December 31:

	2015	2014
Learning Innovation Programs	$ 663,329	$ 1,350,000
Community Innovation Programs	7,280	500,000
Operations	15,450	31,283
	$ 686,059	$ 1,881,283

At December 31, 2015, outstanding balances in accounts and pledges receivable totaling $186,059 are expected to be collected during 2016, and $500,000 is expected to be collected in two to five years. There were no conditional promises outstanding as of December 31, 2015 and 2014.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2015	2014
Leasehold improvements	$ 23,056	$ 23,056
Equipment	4,689	4,689
Computers	17,144	17,144
Furniture and fixtures	2,543	2,543
	47,432	47,432
Less: Accumulated depreciation	(47,432)	(45,610)
	-	$ 1,822

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of funds restricted for the following purposes at December 31:

	2015	2014
Community Innovation Programs	$ 232,590	$ 526,240
Learning Innovation Programs	768,603	2,369,930
	$ 1,001,193	$ 2,896,170

Total assets released from donor restrictions by satisfying the restricted purposes were as follows:

	2015	2014
Community Innovation Programs	$ 493,650	$ 241,166
Learning Innovation Programs	2,051,327	1,889,683
Future operations	-	10,000
	$ 2,544,977	$ 2,140,849

NOTE 6 - LEASE OBLIGATION

The Organization occupies facilities under a lease agreement that expires in June 2017. In addition, the Organization leases equipment under a lease agreement expiring in March 2019. These leases are treated as operating leases within the Organization's financial statements. Total rent expense was approximately $33,500 and $30,000 for the years ended December 31, 2015 and 2014, respectively.

Future commitments under these noncancelable leases at June 30 are as follows:

Fiscal Years Ending		Amount
2016	$	41,000
2017		25,000
2018		8,000
2019		2,000
	$	76,000